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UNCLAS QUITO 002891

SIPDIS

E.O. 12958: N/A

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SUBJECT: ECUADORIAN, CHILEAN FM'S TALK BORDERS, TRADE

REF: QUITO 2874

1. Summary. Chilean Foreign Minister Ignacio Walker met with Ecuadorian officials in Quito on October 28. In a subsequent joint declaration, the countries committed to begin FTA negotiations in 2004, respect existing international treaties (in reference to Chile's maritime disagreements with Peru and Bolivia), and investigate ways to increase Chilean investment in Ecuador. Walker spoke publicly in support of Gutierrez and Ecuadorian democracy, and Chilean and Ecuadorian officials later told Emboffs they believed the comments could strengthen Gutierrez's hand against possible impeachment. End Summary.

2. Chilean FM Ignacio Walker visited Quito October 28, seeking Ecuadorian support in Chile's territorial disputes with Peru and Bolivia, and searching for opportunities to increase Chilean investment in Ecuador. Media reported the following day that Walker had met with President Gutierrez, Ecuador's Foreign Minister Patricio Zuquillanda, President of Congress Guillermo Landazuri, the Congressional Committee on International Subjects and National Defense, the Ecuadorian-Chilean Parliamentary Committee, and Quito Mayor Paco Moncayo. To obtain a more direct readout, Poloff October 28 called on Chilean Ambassador Nelson Haddad.

3. Haddad claimed Walker had achieved three major breakthroughs in the bilat. The foreign ministries signed an agreement to begin negotiating an FTA at the end of 2004 and sign the agreement by 2005. Both governments affirmed the importance of respecting international law and the maritime treaties that Chile, Ecuador, and Peru had signed in 1952 and 1954. Finally, Chile's National Petroleum Company will strengthen its relations with Petroecuador and invest in additional petroleum infrastructure and exploration in Ecuador. The last point is of particular sensitivity in Ecuador, as Chilean investment here has decreased since 2001. Recent press reports note the countries will begin a dialogue over ramping up Chilean investment, particularly in infrastructure projects along Ecuador's southern border.

4. During public appearances, Walker expressed support for Gutierrez and Ecuadorian democracy and institutions. In later readouts, Chilean and Ecuadorian diplomats told poloffs they believed the Chilean FM's statements could strengthen the Gutierrez government, as Chile's leaders and democracy are well respected in Ecuador.

4. Comment: Ecuadorians do respect Chile. In fact, we've often suggested Gutierrez seek bilats with Ricardo Lagos, hoping the latter's statesman status would rub off on the younger GoE leader. Yet we're dubious the Chilean FM's comments will do much to lower political temperatures here, currently running hot. And while we applaud free trade and the GoE's efforts to seek an FTA with Chile, we doubt Ecuador has the staff or capacity to simultaneously negotiate deals with that nation and the United States. End Comment.

KENNEY